



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

August 21, 1975

~~089615~~
089615

Mr. William C. McKinney
Director
Department of Environmental Services

016 00139

Dear Mr. McKinney:

The General Accounting Office has been assisting your Department periodically, over the past several months in resolving water and sewer service billing problems involving a section of the city referred to as Northwest County. We became interested because a citizen complained to us of water and sewer service billing overcharges for the period April 30, 1974 to October 31, 1974.

We looked into the complaint, found that the citizen had been overcharged, and after discussions with your staff, the amount overcharged was refunded. However, in the course of examining the citizen's case we noted that the process for reading meters and billing for water and sewer usage would result in a large number of Northwest County's 41,500 customers being overcharged.

The purpose of this letter is to detail the problems disclosed by our review; the corrective action the District took to resolve the problem; and its effect on customers. Also, the letter sets forth the agreement reached between you and our office to resolve the problem.

Since our meeting, the City Council has revised the water rates, which will go into effect when approved by the Congress. The rate change, however, does not affect the need to correct the problem for Northwest County customers.

HOW THE PROBLEM DEVELOPED

The Revenue Division within the Department of Environmental Services (DES) is responsible for meter reading and billing District customers for water and sewer services.

Until a few years ago, the Division's schedule for reading water meters insured that the consumption period, usually 6 months, and the reading date coincide with the service period on the bill. (The District

~~909276~~

089615

follows the practice of charging customers, in advance, a six-month minimum charge, equivalent to the cost of 3,600 cubic feet of water.) Because of the lack of experienced personnel, however, the meter reading schedule could not be maintained, and actual meter reading dates no longer coincided with the service periods.

Also, the Department missed a billing in its "one-every-six months" billing cycle. As a result, customers' bills covered service periods in excess of six months. Excess water charges were computed deducting the six-month minimum allowance of 3,600 cubic feet from the total water consumed, instead of using a minimum allowance applicable for the water consumed during the period being billed. To illustrate, for a nine-month water usage period, the minimum allowance should have been 5,400 cubic feet (3,600 for six months and 1,800 for three months) instead of 3,600.

Department officials in November 1974 decided to bring the billing cycle back on schedule by computing (1) the current bill (May 31, 1975) over a nine-month period with consumption measured against the six-month minimum allowance, and (2) the next two scheduled bills over periods of less than six months, with consumption measured against the six-month allowance.

At a February 1975 meeting, DES and Office of Budget and Management Systems decided to computerize the billing system starting with the Northwest County accounts, to help speed up the billings and collections.

EFFECTS OF BILLING CHANGES

The Department's attempt "to catch-up" by extending its billing schedule has actually benefited the Northwest County customers in the current service billing (May 31, 1975), but in the next two scheduled service billings the same customers will be overcharged.

The current service billing covers a nine-month period rather than a six-month, the basic period for which a minimum has been established, and for which there is 3,600 cu. ft. allowance. Customers were charged for excess usage (where usage exceeded 3,600 cu. ft.) even though the consumption period was nine months and the allowance against which consumption was measured, was applicable to a six-month period.

Because of the rate structure, the customers were not, in fact, overcharged on the May 1975 billing because the cost per 100 cu. ft. of water and sewer is about 10.5¢ higher for the first 3,600 cu. ft. than for water and sewer usage over this amount. However, DES' plan of reading customers' meters for the next two billings over periods of less than six months each, while charging customers for at least the minimum allowance for each of the shortened consumption periods would result in an overcharge to all customers whose consumption was about the same as or less than the minimum allowance.

The DES' plan, if carried out, would have resulted in customers being billed irregularly for a 12-month period--a 9-month period covered by the May 1975 bill and a 3-month period covered by a July 1975 bill--so that consumption, minimum allowance and billing periods would again coincide. The table on page 4 illustrates how an overcharge would have occurred if the July bill had been rendered.

The overcharge for the illustrative customer would have amounted to \$7.15. It is not possible to make an accurate estimate of the number of customers who would have been similarly overcharged, but if the overcharge was applicable to all 41,500 Northwest County customers, a total overcharge of about \$300,000 would have resulted.

DES AND GAO AGREEMENT
TO RESOLVE BILLING PROBLEM

On June 2, 1975, we met with you and your staff to discuss our findings concerning irregularities in DES' water and sewer service billings in Northwest County. We detailed the overcharges that would result if DES charges for periods of less than six months in the next two scheduled billings. You and your staff agreed with our findings and we offered the following proposal:

- recompute total cost of water and sewer using readings over a 12-month consumption period.
- compute bill for 12-month period using 12-month minimum allowance of 7,200 cu. ft.
- adjust bill by subtracting amount paid on May 1975 bill, and bill the customer for the difference.

You and your staff accepted the proposal, and stated the adjustments could be handled on the SHARE computer program. We offered the assistance of our computer systems staff to help develop a program for the billing adjustment, which you decided was acceptable.

On June 10, 1975, we met with your staff to discuss the feasibility of programming the billing adjustment on SHARE. At the meeting your staff offered an alternative proposal to the solution previously reached at the June 2 meeting. The proposal presented would require computing the next service billing over an 18-month period, i.e. 10,800 cu. ft. minimum allowance; and subtracting from this 18-month charge the amount affected customers have already paid on the most recent billing.

We believe that either the 12-month proposal offered or the 18-month proposal DES' staff has developed would solve the problem. We suggest, however, that special care be taken to insure that the meters are read on a schedule that will provide coverage over a 12 or 18-month consumption period.

WATER AND SEWER CHARGE FOR A 12-MONTH PERIOD
UNDER DES' PLANNED METER READING AND BILLING SCHEDULE

Bill Rendition Date	Billing Period	Previous Reading Date	Present Reading Date	Previous Meter Reading	Present Meter Reading	Hundred Cubic Feet			Charge for Excess (19¢/100 cu.ft.)	Advance Minimum	Water Charge	Sewer Charge (98% of water)	Total Due
						Total Consumption	Allowance	Excess Consumption					
^a May 1975	4/30 - 10/31/74	6/25/74	4/12/75	11	74	63	36	27	\$5.13	\$8.75	\$13.88	\$13.60	\$27.48
^b July 1975	10/31/74 - 4/30/75	4/12/75	6/30/75	74	91	17	36	-0-	-0-	8.75	8.75	8.58	17.33
													\$44.81

WATER AND SEWER CHARGE FOR A 12-MONTH PERIOD
THAT SHOULD HAVE BEEN COMPUTED BY DES

^d July 1975	^d 4/30/74 - 4/30/75	^d 6/25/74	^d 6/30/75	11	91	^e 80	72	8	1.52	17.50	19.02	18.64 Overcharge	37.66 <u>\$ 7.15</u>
------------------------	--------------------------------	----------------------	----------------------	----	----	-----------------	----	---	------	-------	-------	---------------------	-------------------------

NOTES

- ^a May 1975 represents actual bill rendered by DES
- ^b July 1975 represents next scheduled bill to be rendered; the billing period it would cover, and the approximate date the water meter would be read.
- ^c GAO calculation to determine usage. Methodology used: 6,300 cu.ft. (May 1975 usage)/291 days (6/25/74 - 4/12/75) = 21.6 avg. cu.ft. usage/day x 79 days (4/12/75 - 6/30/75) = 1706 cu.ft. or 1700.
- ^d July 1975 represents bill that should have been rendered to properly match a 12-month billing period (4/30/74 - 4/30/75) against a 12-month consumption period (6/25/75 - 6/30/75).
- ^e GAO calculation to determine usage. Methodology used same as in c: 6,300 cu.ft./291 days = 21.6 avg. cu.ft. usage/day x 370 days (6/25/74 - 6/30/75) = 7,992 cu.ft. or 8,000.

We would like to take this opportunity to thank you and your staff for the courtesies extended during this review. We would like to be advised of the actions taken on the matters discussed in this report. Please feel free to call me if you have any questions.

Copies of this report are being sent to the City Administrator and to the Chairman, District of Columbia City Council.

Sincerely yours,

Frank Medico

Frank Medico
Assistant Director